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IN THE MATTER OF THE INTEREST ARBITRATION	IMPASSE ISSUES
Between	WAGES
EMPLOYER City of Crystal Lake Crystal Lake, Illinois	KELLY DAYS
And	
UNION International Association of Fire Fighters, AFL-CIO; Local 3926	
ISLRB CASE # S-MA-07-251	**OPINION & AWARD**

PRELIMINARY INFORMATION

CASE PRESENTATION – APPEARANCES

FOR THE EMPLOYER

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FOR THE UNION

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WITNESSES (in order of respective appearance)

FOR THE EMPLOYER

JAMES (JIM) MOORE
Fire/Rescue Chief

FOR THE UNION

TIM KERLEY[1]
Local Union President, and
Firefighter/Paramedic

OTHERS PRESENT AT HEARING

FOR THE EMPLOYER

ANN EVERHART
Human Resources Director

PAUL DeRAED
Deputy Fire Chief

ERIC HELM
Assistant to the City Manager

RACHEL SIMMONS
Human Resources Generalist

FOR THE UNION

CHRIS KOPERA
Local Union Vice President

BRYAN KAUKE
Local Union Secretary

JIM SUSTEK
Local Union Trustee

DAN WILLIAMS
Local Union Trustee

JOHN VOLENEC
Negotiator, Bargaining Committee

JOSEPH C. FORSBERG
Negotiator, Bargaining Committee

COURT REPORTER

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[1] Witness was Lead Negotiator for the Union's Bargaining Committee for the successor 2007-2010 Collective Bargaining Agreement. Witness was also recalled to testify following testimony rendered by Fire/Rescue Chief, Moore.

LOCATION OF HEARING

CITY HALL / FIRE STATION # 1
100 W. Municipal Complex
Crystal Lake, IL 60039-0597
(815) 356-3640
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AUTHORITY TO ARBITRATE

2003-2007 Collective Bargaining Agreement (Jt. Ex. 1, pp 1-74)
Article XXVI - Termination, p. 67

And

THE ILLINOIS PUBLIC LABOR RELATIONS ACT (pp. 1-35)
Section 14. Security Employee, Peace Officer and Fire Fighter Disputes (pp. 22 – 27)

CHRONOLOGY OF RELEVANT EVENTS

Parties Commenced Negotiations for a Successor Collective Bargaining Agreement to the 2003-2007 Agreement	**March 6, 2007**
Parties Convened Ten (10) Bargaining Sessions Over A Nine (9) Month Period; Dates of Bargaining Sessions	**March 6, 2007** **March 21, 2007** **April 11, 2007** **May 1, 2007** **May 17, 2007** **July 19. 2007** **August 9, 2007** **September 20, 2007** **November 30, 2007** **December 19, 2007**
Pursuant to The Illinois Public Labor Relations Act, Parties Met With Commissioners from the Federal Mediation & Conciliation Service [FMCS] For the Purpose of Resolving All Impasse Issues; Dates Parties Met in Mediation	**December 28, 2007** **January 18, 2008**
Pursuant to The Illinois Public Labor Relations Act, Parties Convened Interest Arbitration Proceedings and At the Outset, Mutually Agreed to Have This Interest Arbitrator Act as Mediator in a Second Attempt to Mediate the Remaining Impasse Issues; Dates of These Mediation Sessions	**May 8, 2008** **May 9, 2008** **June 2, 2008**

CHRONOLOGY OF RELEVANT EVENTS (Continued)

Notwithstanding Progress in Disposing of the Remaining Impasse Issues, Parties Were Unable to Reach Resolution On All the Remaining Issues Thereby Converting the Mediation Into An Interest Arbitration Proceeding; Date Interest Arbitration Proceeding Convened	**June 30, 2008**
Date Copy of Transcript of 129 Pages Received by the Interest Arbitrator	**July 19, 2008**
Date Post-Hearing Briefs Received by the Interest Arbitrator;	
Employer	**September 3, 2008**
Union	**September 3, 2008**
By Letter Dated September 4, 2008, the Interest Arbitrator Interchanged the Post-Hearing Briefs and Declared the Case Record in This Matter Officially Closed as of the Receipt Date of the Post-Hearing Briefs; Date Case Record Closed	**September 3, 2008**

RELEVANT DOCUMENTATION

I. 2003-2007 COLLECTIVE BARGAINING AGREEMENT (Jt.Ex.1)

ARTICLE I
PREAMBLE

THIS AGREEMENT entered into by the CITY OF CRYSTAL LAKE, ILLINOIS (hereinafter referred to as the "City" or the "Employer" and the CRYSTAL LAKE PROFESSIONAL FIREFIGHTERS ASSOCIATION, LOCAL NO. 3926, OF THE INTERNATIONAL ASSOCIATION OF FIREFIGHTERS, AFL-CIO, CLC (hereinafter referred to as the "Union") has as its basic purpose the promotion of harmonious relations between the City and the Union, the establishment of an equitable and peaceful procedure for the resolution of differences, and the establishment of an entire agreement covering all rates of pay, hours of work and conditions of employment applicable to bargaining unit employees. Therefore, in consideration of the mutual promises and agreements contained in this Agreement, the City and the Union do mutually promise and agree as follows:

*** * * ***

ARTICLE XXVI
TERMINATION

*** * *. In the event that agreement on the terms of a successor agreement is not reached prior to the expiration date of this Agreement, the parties' respective rights shall be as set forth in the Illinois Public Labor Relations Act.**

II. THE ILLINOIS PUBLIC LABOR RELATIONS ACT

* * * *

Section 14. Security Employees, Peace Officer and Fire Fighter Disputes

* * * *

(h) Where there is no agreement between the parties . . . and the wage rates or other conditions of employment under the proposed new or amended agreement are in dispute, the arbitration panel shall base its findings, opinions and order upon the following factors, as applicable:

(1) The lawful authority of the employer

(2) Stipulations of the parties

(3) The interests and welfare of the public and the financial ability of the unit of government to meet those costs.

(4) Comparison of the wages, hours and conditions of employment of the employees involved in the arbitration proceeding with the wages, hours and conditions of employment of other employees performing similar services and with other employees generally:

(A) In public employment in comparable communities.

(B) In private employment in comparable communities.

(5) The average consumer prices for goods and services, commonly known as the cost of living.

(6) The overall compensation presently received by the employees, including direct wage compensation, vacations, holidays and other excused time, insurance and pensions, medical and hospitalization benefits, the continuity and stability of employment and all other benefits received.

(7) Changes in any of the foregoing circumstances during the pendency of the arbitration proceedings.

(8) Such other factors, not confined to the foregoing, which are normally or traditionally taken into consideration in the determination of wages, hours and conditions of employment through voluntary collective bargaining, mediation, fact-finding, arbitration or otherwise between the parties, in the public service or in private employment.

* * * *

III. GROUND RULES AND STIPULATIONS OF THE PARTIES (Jt.Ex.4)

1. **The parties hereby waive the tripartite panel format set forth in Section 14(b) of the Act, and the sole Arbitrator is GEORGE LARNEY. The parties stipulate that the procedural prerequisites for convening the arbitration hearing have been met, and that the Arbitrator has jurisdiction and authority to rule on those issues submitted to him.**

* * * *

7. **The parties' proposed external comparable communities to be used in this proceeding are as follows:**

- **Buffalo Grove**
- **Des Plaines**
- **Downers Grove**
- **Elk Grove Village**
- **Gurnee**[2]
- **Hoffman Estates**
- **Libertyville**
- **Lombard**
- **Mount Prospect**
- **Northbrook**
- **Rolling Meadows**
- **St. Charles**
- **Streamwood**
- **Wheaton**
- **Wheeling**

* * * *

8. **The parties stipulate that the items in dispute consist of the following:**

- **Term** [3]
- **Wages**
- **Kelly Days**

* * * *

10. **The Arbitrator shall base his findings and decision upon the factors as applicable set forth in Section 14(h) of the Illinois Public Labor Relations Act.**

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[2] The Arbitrator notes that by submission dated October 23, 2008 and received in the Arbitrator's office on October 28, 2008, J. Dale Berry, on behalf of the Union, supplemented the record with terms of settlement on the issues of Wages, Kelly Days, and Paramedic Recertification Pay negotiated by and between the Village of Gurnee and Firefighters Local 3598. Subsequent to the close of the formal hearing held June 30, 2008, the Union, at the request of the Arbitrator, forwarded copies of the full collective bargaining agreements for each of the comparable communities the parties had agreed to in their **Ground Rules** ***(Jt.Ex.4)***. The Agreement for the Village of Gurnee at the time the Arbitrator received the Agreements for each of the fifteen (15) comparable communities was the three (3) year Agreement effective May 1, 2005 to April 30, 2008. The supplemental submission for Gurnee was for the successor collective bargaining agreement effective May 1, 2008 to April 30, 2011.

[3] The Arbitrator notes that on the morning of the formal hearing but prior to commencement of the proceedings, the parties mutually agreed that the term of the successor collective bargaining agreement would be four (4) years, thus leaving the two (2) remaining economic issues to be heard at this arbitration for decision by the Interest Arbitrator.

ISSUES PRESENTED & PARTIES' FINAL OFFERS

In accord with **Section 14(g)** of the **Illinois Public Labor Relations Act,** which compels the parties to submit to the Interest Arbitrator and to each other its last offer of settlement on each economic issue, the Arbitrator notes that in advance of the formal hearing the parties submitted their respective **Final Offers** dated June 20, 2008 ***(Jt.Exs.3A & 3B)*** [4]

WAGES [Increases to be implemented across the board] [5]

UNION'S FINAL OFFER:	EMPLOYER'S FINAL OFFER:
4 % Effective 5 / 1 / 07	3 % Effective 5 / 1 / 07
4 % Effective 5 / 1 / 08	3 % Effective 5 / 1 / 08
4 % Effective 5 / 1 / 09	3.5 % Effective 5 / 1 / 09
4 % Effective 5 / 1 / 10	3.5 % Effective 5 / 1 / 10

UNION'S POSITION

The Union supports its final wage offer predicated on three (3) of the eight (8) factors set forth in Section 14(h) of the **Act**, specifically, (h)(3), (h)(4), and (h)(5).

With respect to Factor (h)(3), the financial ability of the City to meet the increases in wages for each of the four (4) years, the Union first cites a letter of transmittal dated October 25, 2007 prepared and co-signed by the City's City Manager, Gary J. Mayerhofer and the City's Director of Finance, Mark F. Nannini, that was addressed to the Mayor, Members of the City Council, and the Citizens of the City of Crystal Lake, Illinois, pertaining to the issuance of the City's Comprehensive Annual Financial Report *(Un.Ex.1).* [6] In a section titled, **Local Economy**, the letter noted that the "City currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. The largest single source of revenue

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[4] The Arbitrator notes that Section 14(g) of the **Act** references that the final offers by the parties be submitted to an "arbitration panel". However, the parties here specified in Point 1 of their enumerated **Ground Rules** (see p.6 of this Decision) that they mutually agreed to waive the tripartite arbitration panel format as set forth in Section 14(b) of the **Act** in favor of putting the impasse issues before the Interest Arbitrator as the sole decision maker.

[5] As noted by the parties, both the Union's and the Employer's proposals would set Lieutenants' wages as follows:
* Effective 5 / 1 / 07 – start 5 % above top Firefighter/Paramedic wages with steps 2 %, 3 %, and 4 %;
* Effective 5 / 1 / 08 - start 5 % above top Firefighter/Paramedic wages with steps 2 %, 3 %, and 4 %;
* Effective 5 / 1 / 09 - start 5 % above top Firefighter/Paramedic wages with steps 2 %, 3 %, and 4 %;
* Effective 5 / 1 / 10 - start 5 % above top Firefighter/Paramedic wages with steps 2 %, 3 %, and 4 %.

[6] It was noted at the outset of this seven (7) page letter that it is a requirement of State law "that all general-purpose local governments publish within six (6) months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Said Comprehensive Annual Financial Report was for the fiscal year ended April 30, 2007

is sales taxes, which has remained stable. The non-residential sector of economic activity has remained strong. The City's property valuation growth has remained constant over the past year through the addition of new non-residential development and the continued increase in the value of existing non-residential properties in the City. This is evidence of the City's continued strong economic activity level and further underscores the City's strong non-residential tax base growth. Once again, the City has continued to have a very low property tax rate for municipal services compared to other municipalities in southeastern McHenry County. The continued development of the City's non-residential tax base and the stable retail sector of the community have facilitated this position. The City's retail base helps defray the cost of most General Fund supported services, such as police protection, street maintenance, brush and leaf pickup, and other services."

The Union next cites the section of the Comprehensive Annual Financial Report for the fiscal year ended April 30, 2007, titled **Management's Discussion and Analysis** *(Un.Ex.2)*. In a section of this document titled, **Financial Highlights**, the Union notes supporting evidence for the claim in the aforecited October 25, 2007 Letter of Transmittal of the City's "strong economic activity level". Specifically, this section set forth the following information:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $231,399,000 (**net assets**), of which $40,589,000 are **unrestricted net assets**, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total assets increased by $4,295,000, which reflects an increase in receivables for property taxes and value of construction in progress.
- As of the close of the current fiscal year, the City's governmental funds report combined ending fund balances of $41,329,000, an increase of $6,943,000 in comparison with the prior year. Approximately 94.5% of this total amount, $39,056,000, is available for spending at the City's discretion (**unreserved fund balance**). [7]
- At the end of the current fiscal year, unreserved fund balance for the general fund was $19,788,000 or 100.0% of total general fund expenditures. [8]

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[7] It was noted in this section of the Comprehensive Annual Financial Report for the Fiscal Year Ended April 30, 2007 *(Un.Ex.2, p.8)* that the **Unreserved Fund Balance** may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. It was also noted that the remainder of the **Unreserved Fund Balance** (the approximate 5.5% or $2,273,000) is reserved to indicate that it is not available for **new spending** because it has already been committed to pay debt service or is reserved for prepaids and inventories [emphasis by the Arbitrator].

[8] It was also noted in this section of the Comprehensive Annual Financial Report for the Fiscal Year Ended April 30, 2007 *(Un.Ex.2,p.8)* that the **General Fund** is the chief operating fund of the City. In noting that the **unreserved fund balance** was $19,788,000 while the **total fund balance** reached $20,399,000, the report stated that as a measure of the **General Fund's** liquidity, it may be useful to compare both **unreserved fund balance** and **total fund balance** to **total fund expenditures.** In making such a comparison, the report noted that the **unreserved fund balance** represented **101 %** of **total actual general fund expenditures**, while **total fund balance** represented **104%** of **total actual general fund expenditures**. It was further noted that the **fund balance** of the City's **General Fund** had increased by $2,799.000, during the current fiscal year attributable to the following key growth factors: * An increase in the local sales tax revenues by $498,000; * An increase in income taxes of $481,000; * Intergovernmental revenues of the general fund increased by $33,000; and * The general fund interest income increased **significantly** by $473,000. It was further noted this increase of $2,799,000 due to savings in the operational accounts, would remain in reserve for future capital needs *(Un.Ex.2,p.11)* [Emphasis by the Arbitrator]. Additionally, the record evidence reflects that in the prior fiscal year that ended April 30, 2006, the **General Fund** increased by $1,858,000 *(Un.Ex.3)*. Thus, it is noted that combined, (Fiscal Year ended April 30, 2006 and Fiscal

- The City **total debt** (bonds and notes) increased by $6,362,000 (22.2%) during the current fiscal year. [9]

Of particular significance with regard to the City's **General Fund**, for purposes of this interest arbitration, is the reference to the component **Fire Rescue Fund** which the Comprehensive Annual Financial Report of the City for the Fiscal Year ended April 30, 2007, noted, said **Fire Rescue Fund** had a total fund balance of $2,610,000, all of which was unrestricted. The Report further noted that the net increase in fund balance during the current year in the **fire rescue fund** was $1,175,000, due mainly to an increase in the number of billable calls and a decrease in capital outlays for the year *(Un.Ex.2,p.9)*.

Finally, with respect to the Union's claim the City has the financial ability to meet its wage offer, the Union submitted the City's comprehensive annual financial reports for the three (3) Fiscal Years ending in 2004, 2005, and 2006 to be analyzed by the International Union's Department of Labor Issues and Collective Bargaining. This request was responded to in a six (6) page report dated May 11, 2007 *(Un.Ex.5)*. In an explanation of its analysis, the Research Analyst, Andy Mckinley who signed the report, noted that the financial data was scrutinized using the "budgetary basis" of accounting as opposed to the "GAAP (generally accepted accounting principles) basis" that is used in most financial statements, and further noting that the two methods differ as to when revenue and expenditures can be recognized (what a private business would deem to be its cash flow). With regard to the General Fund, the Report stated that revenues and transfers into the general fund were ahead of budget predictions for all three (3) fiscal years, and expenditures and transfers out were lower than budget predictions for all three (3) years. The Report found that revenues and transfers into the general fund were ahead of expenditures and transfers out, at least for Fiscal Years 2005 and 2006. As measures of good financial health, the Report noted that the City maintained a fund balance in excess of 5% of the budget, a figure that is deemed to be prudent by *Moody's on Municipals*, a financial rating organization. The Report also noted that the City had a very favorable ratio of assets to liabilities; specifically, the City had $3.75 in assets for every $1.00 in liabilities for the governmental fund types. Additionally, the Report stated that the General Fund Balance increased 15.7% from FY 2004 to FY 2006 and that General Fund Expenditures as a percentage of General Fund Balance were above the *Moody's* threshold.

Next, the Union cites Factor (h)(4) of Section 14 of the **Act**, the wage comparisons of firefighters in Crystal Lake with the wages of firefighters in the mutually agreed upon fifteen (15) comparable communities [see p.6 of this ***Opinion and Award***], in support of its final wage offer. Without the need to rehash the specifics involved in the comparative data set forth by the Union at this juncture, the Union stated the following salient points:

- Prior to any increase in wages applied to the base line wage applicable to a firefighter/paramedic at the top base rate in Fiscal Year 2006, the City of Crystal Lake relative to the fifteen (15) comparable communities, ranked 13 out of the total of the

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Year ended April 30, 2007), the net increases (minus expenditures) in the **General Fund** totaled to $4,657,000 *(Un.Exs.3&4)*.

[9] The reference here is to the City's **Long-term Debt** which totaled to $28,567,000 as of May 1, 2006 as compared to $34,929,000 as of April 30, 2007 *(Un.Ex.2,p.11)* [emphasis by the Arbitrator].

sixteen (16) communities. The Union contends that its proposed wage increase of 4% for Fiscal Year 2007 would simply keep Crystal Lake ranked at 13 out of the total of the 16 communities whereas, the City's proposed wage increase of 3% would drop Crystal Lake to a rank of 14 out of the total of the 16 communities.

- For Fiscal Year 2008, the Union contends that its proposed wage increase of 4% as in Fiscal Year 2007, would keep Crystal Lake ranked at 13 of the 16 communities whereas, the City's proposed wage increase of 3% would keep Crystal Lake at 14 of the 16 communities but, it would also have the effect of causing the Crystal Lake firefighter/paramedics to fall further below the average increase percentage-wise in the dollar amounts attributable to the top base rate as compared to the other 15 comparable communities. Specifically, the Union contends that even its proposed wage increase of 4% in Fiscal Year 2007 would result in a 2.27% decline below the average whereas, the City's proposed wage increase of 3% would result in a 3.26% decline below the average. For Fiscal Year 2008, the Union contends its proposed wage increase of 4% would result in a 2.09% decline below the average denoting somewhat of an improvement in this measure whereas, the City's proposed wage increase of 3% would result in a 4.08% decline below the average thus causing the top base pay of firefighter/paramedics to fall further behind the other comparable communities.

- For Fiscal Year 2009, the Union contends its proposed wage rate increase of 4% would result in moving Crystal Lake up a rank from 13 to 12 among the 16 communities, but it would also result in a 1.95% decline below the average, although noting this percentage was improving whereas, the City's proposed wage increase of 3.5% would keep Crystal Lake's relative rank at 14 of the 16 communities resulting in a further percentage decline of 4.44% below the average.

- For Fiscal Year 2010, the Union contends its proposed wage increase of 4% would result in a relative ranking for Crystal Lake of 5 of the 5 comparable communities for which data exists for such wage increases. [10]

- The Union contends that the average percentage increases in wages granted among the comparable communities for which there are wage rate data for the Fiscal Years 2007, 2008, 2009, and 2010 are respectively, 3.89%; 3.38%; 3.87%; and 3.99%. Accordingly, the Union observes, given these average percentages, that while its proposed wage rate increases for these four (4) Fiscal Years of 4% is slightly higher,

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[10] The other four (4) comparable communities for which wage rate increases are substantiated by contract for Fiscal Year 2010 are: * Elk Grove Village; * Gurnee; * St. Charles; and * Downers Grove. However, due to discrepancies in the data set forth by the Union in its Exhibit 6 – "Top Base FF/Paramedic Increase Analysis", the claim by the Union that among the 5 communities compared to one another [the 4 communities denoted here plus Crystal Lake], Crystal Lake would rank 4 of these 5 communities. Specifically, as noted by the Union in its post-hearing brief, if its proposed wage increase of 4% were to be applied, the top base wage rate in Fiscal Year 2010 would be $81,705 whereas, the data indicates that the top base wage rate in Fiscal Year 2010 for St. Charles will be $81,068, thus ranking it below Crystal Lake. The Arbitrator notes that the Union indicated in its Exhibit 6 that the top base rate for St. Charles in 2010 would be $82,612 but this figure was not borne out by the data set forth in 2008-2011 Collective Bargaining Agreement for St. Charles which, agreement was among the 15 collective bargaining agreements forwarded to the Arbitrator by the Union at his request.

the City's proposed wage rate increases for these four (4) years of 3%, 3%, 3.5%, and 3.5% are all much lower.

- In presenting a "Career Wage Analysis for Firefighter/Paramedic (Including Longevity)" in its Exhibit 8, which makes wage comparisons of the 15 comparable communities to Crystal Lake on the basis of tenure of employment year by year from after 1 year to after 15 years, using 2006 as a baseline year, the Union contends that the City's wage proposal would have the effect of considerably eroding the wages of Crystal Lake Firefighters in relation to the wages of other firefighters in the comparable communities whereas, its wage proposal would slightly improve the wages of Crystal Lake in relation to the wages of other firefighters in the comparable communities.

Additionally, the Union cites several previously decided interest arbitration cases in support of proffering external wage rate data to bolster its case that its final wage offer should be adopted by this Arbitrator over that of the City's final wage offer. The Union cites the *City of Kewanee (Arbitrator Marvin Hill)* for the proposition that, external comparability is the most significant of the [Section 14] factors to be considered by the arbitration panel. The Union cites the two (2) cases, *City of Elgin (Arbitrator George Fleischli)* and *Village of Downers Grove (ArbitratorJohn Fletcher)* for the respective propositions that a wage offer that prevented the erosion of wages should be awarded and, a union wage offer was awarded where Arbitrator Fletcher found that the effect of the employer's wage offer would be to rank the employer's firefighters last in comparison to the comparable communities. The Union cites the case of *City of Aurora (Arbitrator David Dilts)*, to counter the City's position here that step increases [also referenced as longevity increases] granted to the Firefighters during the four (4) year term of the contract actually results in wage increases that exceed its wage proposal of 3% for Fiscal Year 2007; 3% for Fiscal Year 2008; 3.5% for Fiscal Year 2009; and 3.5% for Fiscal Year 2010. Arbitrator Dilts opined that longevity increases are payment for experience gained through years of service and therefore, cannot be considered as a part of base [wages] and, further finding that such increases cease when firefighters reach the top step of the salary schedule who then are subject to erosion of wages due to increases in the cost of living that surpass the increases in wage rates. [11]

As final support that its final wage offer should be accepted by this Arbitrator over that of the City's final wage offer, the Union cites Factor (h)(5), "the average consumer prices for goods and services, commonly known as the cost of living". The Union references cost of living data compiled by the U.S. Department of Labor's Bureau of Labor Statistics, showing that the inflation rate for the U.S. City Average for All Items for the month of May, 2008 was 4.2% *(Un.Ex.10)* and asserts that this trend is unlikely to abate soon, an observation supported by its Exhibit 11, an excerpt from the July 2008 issue of ***Money Magazine***, that among other information notes "Oil prices are soaring [crude oil trading at $125.00 a barrel, resulting in a

[11] According to the revised 12/2007 Seniority List *(Un.Ex.14)*, there are 9 Lieutenants and 35 Firefighters. According to *(Un.Ex.15)*, a handwritten list, As of July, 2008, all 9 Lieutenants reached the top step of their salary schedule along with 7 Firefighters. In August of 2009, 3 more Firefighters will reach the top step of their salary schedule. In September of 2010, 4 more Firefighters will reach the top step and, in October of 2011, an additional 4 Firefighters will reach the top of the salary schedule. Thus, by the time the successor 2007-2011 Collective Bargaining Agreement expires, 27 of the 44 Fire Department employees on the revised 12/2007 Seniority List will have reached the top step of the salary schedule and will not be entitled to any further step increases in their wage rates.

21% increase in gasoline], eggs cost 30% more than a year ago and medical and college bills [an increase in college tuition of 6%] keep rising." As additional support for its contention that the rise in the cost of living will not soon abate, the Union appended to its post-hearing brief an August 15, 2008 New York Times article titled, ***"Inflation Hits Annual Pace Not Seen Since 1991"***. Among other information set forth in the article, it was noted that in June, 2008 inflation rose 1.1%, the second highest monthly pace in 26 years and that in July, 2008 inflation rose another 0.8%. The article further noted from July, 2007 to July, 2008, consumer prices had risen 5.6%. Given these recent increases in the cost of living and the apparent trend of further such increases, the Union submits that the City's wage proposal is deficient. On the other hand, the Union submits, its wage proposal would provide the Firefighters with a cost of living raise.

EMPLOYER'S POSITION

Like the Union, the Employer also cites Factors (h)(3), its financial ability to meet those costs that impact the interests and welfare of the public, here specifically, its financial ability to pay wage increases for each of the four (4) years of the successor 2007-2011 Collective Bargaining Agreement vis-à-vis, a comparison between its final wage offer and that of the Union's, Factor (h)(4), a comparison of the final wage offers to wage settlements of the agreed upon comparable communities, also known as **external comparisons** but, unlike the Union, it also presents evidence with respect to **internal comparisons** of wage settlements it has consummated with two (2) other Unions, to wit: The Metropolitan Alliance of Police, Chapter 177, representing the Crystal Lake Police; and the International Union of Operating Engineers Local 150, representing an array of bargaining unit employees in the City's Public Works Department, and Factor (h)(5), the cost-of-living.

As with the Union's position, the Arbitrator recounts the salient points of the Employer's position as opposed to rehashing the statistical data set forth in its presentation at hearing and again in its post-hearing brief.

With regard to Factor (h)(3), its financial ability to pay the proposed wage increases, the City states the following:

- In reporting financial information, the City has adopted a format that incorporates both the traditional governmental accounting method of "fund accounting" and the private sector method of "consolidated financial reports". As to "fund accounting", one of the major funds comprising the City's financial structure is the Fire Department's "Fire and Rescue Fund", and it is the expectation by the City that departments funded by a specific fund operate within the financial constraints of the fund. [12] Since property taxes are collected every six (6) months, the City requires that a fund, here the Fire and Rescue Fund maintain a fund balance of at least 50% so as to retain a sufficient amount of

[12] According to the document, "Management's Discussion and Analysis" *(Un.Ex.2)*, the City maintains twenty (20) individual governmental funds. Of these 20 funds, the Fire and Rescue Fund is deemed to be one of three (3) major funds; the other two (2) being, the General Fund and the Motor Fuel Tax Fund. The Arbitrator notes that the analysis of the City's Financials performed by the Firefighter's International Union *(Un.Ex.5)* segregated the City's governmental funds into the following five (5) categories, to wit: *General Fund; *Motor Fuel Tax Fund; *Fire Rescue Fund; *Illinois Municipal Retirement Fund; and *Non-major Governmental Funds.

money to operate while the City awaits property tax receipts. Historically, the Fire and Rescue Fund receives approximately 90% of its funding from property taxes.

- The City states that the ending balance for the Fire and Rescue Fund under the 2008-2009 budget will be 31.7% , thereby falling short of the City's requirement of maintaining a 50% fund balance. Additionally, another factor impacting the Fire and Rescue Fund is the loss of $500,000 in revenue annually as a result of the Village of Lakewood's decision to terminate its contract for fire protection services provided by the City. The City contends the Union's position that, money can be transferred from the General Fund into the Fire and Rescue Fund to make up for any fund deficiency is misplaced, as reliance on such a transfer of funds is not in keeping with the City's practices or past considerations from previous collective bargaining agreements. The City further contends that historically, transfers from the General Fund to the Fire and Rescue Fund have been designated to fund capital needs, noting that such transfers occurred in Fiscal Years 2006-2007 and 2007-2008 respectively in the amount of $1,125,000 and 150,610 *(City Group Ex.1, Table 4-6)*.

- Beginning in and around Fiscal Year 2005, the Fire and Rescue Department has been in the throes of transitioning from a small department which was staffed largely by paid-on-call firefighters to a large full-time fire department. In addition to a number of capital projects attendant to this transition which includes adding a fourth fire station and "turning over" its fleet of vehicles over the next six (6) years, the funding of which will be assisted from the General Fund, the Department will continue to expand the number of full-time firefighters. It is noted that since Fiscal Year 2005, the Department has hired eighteen (18) additional full-time personnel with plans to hire an additional nine (9) full-time personnel in Fiscal Year 2008-2009. [13] It is further noted that the cost to the Department of hiring and equipping one firefighter is approximately $100,000 *(City Group Ex.1, Tables in Section 4)*.

- The City informs that in preparing and advancing its final wage proposal for the four (4) years of the successor 2007-2011 Collective Bargaining Agreement, it took into consideration the monetary costs associated with the expansion of the Fire Department, both by forthcoming capital projects and the hiring of additional full-time personnel, as well as, the historical wage structure for firefighter/paramedics and lieutenants, and the level of pay necessary to attract and retain quality personnel. Moreover, the City **concedes** that historically, the City has **not paid** its firefighters/paramedics and lieutenants at the level of the comparable communities identified in this arbitral proceeding, noting that of the fifteen (15) communities selected for comparative purposes with the City, Crystal Lake is the only community located in McHenry County. Additionally, the City asserts this fact is significant because the majority of fire

[13] A perusal of City Group Exhibit 1, Table 4-5 reflects that of the total of the addition of nine (9) full-time personnel intended to be added to the Fire Department, eight (8) are to be firefighters and the remaining hire is designated to become the Bureau Chief of EMS. At the time of this arbitration, the total number of full-time firefighters as reflected by the revised 12/2007 Seniority list was 44, comprised of 35 Firefighter/Paramedics and 9 Lieutenants *(Un.Ex.14)*.

departments in McHenry County are fire districts as opposed to municipal fire departments.

- Given the foregoing information regarding the Fire Department's transition of substantial growth of moving beyond a more rural fire department characteristic of McHenry County, the costs associated with this growth , and the financial constraints of the Fire and Rescue Department Fund over the period of time this transition occurs, the City argues that this change should not be impeded by a decision in this interest arbitration favoring the Union's proposed final wage offer.

With respect to Factor (h)(4) of Section 14 of the Act, comparing wages of the City's firefighter/paramedics with the wages of firefighter/paramedics in the communities identified here as comparable, the City advances the following points in argument:

- The City maintains that its proposed final wage offer is **internally consistent** with the wage increases granted to its bargaining unit employees represented by two (2) other Unions, specifically the police represented by Chapter 177 of the Metropolitan Alliance of Police and public works employees represented by Local 150 of the International Union of Operating Engineers. The term of the contract with the Police is for three (3) years effective May 1, 2006 to April 30, 2009 *(City Group Ex.1, Section 11)*. According to the City, police officers received on average, a 2.0% increase in wages effective May 1, 2007.[14] On May 1, 2008, the City notes the police officers received on average a 3.0% increase but further noted in a footnote, that officers at the top step of the Wage Schedule, Step 7, received an 8.6% increase in wages so as to keep pace with other McHenry County police departments. As noted in footnote 14 below, the Arbitrator calculated the increase in wages for Fiscal Year 2007 using the top step of the Wage Schedule as a means of comparing wages of the comparable communities which were calculated at the top steps of firefighter/paramedics as opposed to expressing wage increases on the basis of an average. The term of the contract with the public works employees is for four (4) years effective May 1, 2006 to April 30, 2010 *(City Group Ex.1, Section 12)*. According to the Wage Schedule set forth in the Appendices of this Collective Bargaining Agreement, calculations of the wage increases reveal that the public works employees received a 2.0% increase in wages effective May 1, 2006, a 3.0% increase effective May 1, 2007, a 3.0% increase effective May 1, 2008, and a 2.0% increase effective May 1, 2009.

  The City cites as additional support for its final wage proposal to the firefighter/paramedics the wage raises granted to its non-union employees that became effective May 1, 2008 and which are dependent upon performance evaluations and merit. For these employees, the City authorized merit raises of 5.0% with the average raise amounting to a 3.0% wage increase.

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[14] A calculation using the wage data at the top step of the Wage Schedule, specifically, Step 7 yields the result of a 2.5% increase in wages from May 1, 2006 to May 1, 2007 as opposed to the City's specifying an **average** increase of 2.0%. This calculation by the Arbitrator was made in order to compare it to the wage data of the comparable communities which were based on the top rates for firefighter/paramedics.

- Next, the City engages in its analysis of where it stands relative to increase in wages granted to firefighters/paramedics in the mutually agreed upon comparable communities. The City disputes the Union's ranking of its relative position among the fifteen (15) comparable communities asserting that it falls 9 out of the total of the 16 comparable communities based on the top salary for firefighters/paramedics for the two Fiscal Years 2007 and 2008. For those comparable communities that have wage agreements for the next two Fiscal Years, 2009 and 2010, the City maintains that for FY 2009, it moves to the rank of 7 and for 2010 it moves to the rank of 2 among the 4 comparable communities remaining. [15]

- The City maintains that based upon an analysis of the average percentage wage increases negotiated for firefighter/paramedics among the comparable communities, its final wage proposal as compared to the Union's final wage proposal is the more reasonable proposal. Such analysis reveals the following: for Fiscal Year 2007, based on 15 comparable communities, the average wage increase percentage-wise was 3.77%; for Fiscal Year 2008, based on 10 comparable communities, it was 3.41%; for Fiscal Year 2009 based on 6 comparable communities, it is 3.69%; and for Fiscal Year 2010, based on 4 comparable communities, it is 3.56% The City notes that in each of the four (4) contract years, the Union's proposal of a 4.0% wage increase for each year exceeds the average wage increase percentage-wise for the associated comparable communities. Viewed in another way, when the average wage increase percentage-wise is added for the four (4) contract years together, it totals to 14.43%, whereas, this same calculation for the City yields a total of 13.0% and for the Union, 16.0%. Thus, the City notes that the Union's final wage proposal exceeds the average by 1.57% whereas, its final wage increase proposal is 1.43% below this average.

With respect to Factor (h)(5), of Section 14 of the Act, the cost-of-living, the City states that when looking at the wage increases granted to the firefighter/paramedics since May 1, 2001, that is, the very first year of the predecessor collective bargaining agreement and going forward with the proposed increases for each of the four (4) years of the successor collective bargaining agreement, the average wage increase percentage-wise has been 3.5% which has exceeded the average increase in the consumer price index for Chicago for the years of 2001-2007 of 2.3%. [16] The City further notes that given the current step progression of seven (7) steps until reaching the top seventh step, the average wage increase due to advancing one step on one's anniversary date amounts to 5.7%. Thus, the City further notes that firefighter/paramedics who have yet to reach

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[15] In referencing its rank of 7 among the comparable communities that have wage agreements for Fiscal Year 2009, it failed to mention that the total number of these comparable communities, including Crystal Lake amounted to 8. Thus, the City was correct in stating that it fell 7th in this listing but another way of characterizing this rank is that it fell second to the bottom, with the Village of Streamwood ranked at 8. With respect to Fiscal Year 2010, the City identified the other comparable communities as Downers Grove. Elk Grove Village, and Mt. Prospect. However, the Arbitrator notes that in ranking Crystal Lake as second highest in this remaining list of four (4) communities, the City did not factor in the paramedic stipends. When those stipends are factored in, Crystal Lake falls to the bottom ranked position of 4th. Subsequent to the preparation of the City's post-hearing brief, the Union supplemented the record evidence by submitting wage settlements in the comparable communities of Gurnee and St. Charles both of which contained wage raises for the Fiscal Year 2010. When these two (2) comparable communities are added to the City's list of four (4), Crystal Lake falls to the bottom ranked position of 6th.

[16] The Arbitrator notes that when the latter calculation is carried to two decimals, the average increase in the consumer price index calculates to 2.37%.

the top 7th step in the wage progression , which the City states at the present time is the status of more than half of the bargaining unit employees, will receive wage increases averaging 8.7% in Fiscal Year 2007, the first year of the contract under its proposed percentage increase in wages across-the-board of 3.0%. The City maintains that this average increase in wages beginning with the first year of the contract more than offsets the Union's complaint about the cost of goods and living.

As a final argument in favor of its final wage increase proposal over that of the Union's, the City notes it has experienced an extremely low turnover rate in the Fire and Rescue Department since 2002 with the majority of employees leaving due to retirement as opposed to resignation. Concomitantly, the City asserts it has been successful in attracting and retaining quality firefighter/paramedics and lieutenants at the existing wage level, concluding that they are not leaving its employ to seek higher pay in the comparable communities.

OPINION
WAGE PROPOSAL

FACTOR (h)(3) SECTION 14

Of all the arguments advanced by the Employer with respect to this factor, not one was asserted that refutes the Union's basic position that the City possesses the ability to pay for the wage increases it seeks of a 4.0% raise across-the-board in each of the four (4) years of the successor 2007-2011 Collective Bargaining Agreement. While the City makes clear that it expects each of its major governmental funds to be self supporting, that is, that each fund is to operate within their financial constraints, which expectation applies to the Fire and Rescue Fund and, that each fund maintain a balance of at least 50% in each six (6) month period in order to continue to operate seamlessly while awaiting the receipt of property taxes and, further, that under the 2008-2009 budget, the Fire and Rescue Fund will fall short of this expectation by 18.3%, nevertheless, the City makes no claim that this shortfall in the Fire and Rescue Fund represents an undue burden or hardship to its financial ability to meet the wage increases as proposed by the Union in its final wage offer. Furthermore, the City has failed to show by any evidence that this shortfall in the Fire and Rescue Fund balance is anything greater than an occasional and temporary circumstance or, that such a financial occurrence will be a continuing and degrading problem going forward causing it a hardship to pay the costs of the Union's final wage proposal. While the City contends the Union's position that any deficiency in the Fire and Rescue Fund can be addressed by transferring money from the General Fund is misplaced as it does not comport with its past practices or past considerations from previous collective bargaining agreements, nevertheless, the City does not dispute that, in fact, such a transfer of funds can be facilitated if necessary. Rather, the City's position that such a transfer of money from the General Fund to the Fire and Rescue Fund for the specific purpose of supplementing the balance to pay for salaries of the Fire and Rescue Department represents merely a preference rather than a prohibition since, unlike other funds where money cannot be transferred from one to the other, there is no such barrier to transferring money from the General Fund to the Fire and Rescue Fund. Proof that no such prohibition of transferring money from the General Fund to the Fire and Rescue Fund exists, ironically is evidenced by the fact of another of the City's preferences, to wit, the transfer of money from the General Fund to the Fire and Rescue Fund to assist in the payment of capital

projects, namely, the renovation of an existing fire station, the building of a new additional fire station, the replacement of the Department's fleet of vehicles over the next six (6) years, and the expansion of the Department's firefighter/paramedic workforce scheduled to occur during the term of the successor four (4) year Collective Bargaining Agreement. The fact that the City notes that money from the General Fund will be transferred to the Fire and Rescue Fund merely to assist in paying for these capital projects, strongly infers that some part of the money necessary to pay the cost of these improvements and expansion of personnel will come from the Fire and Rescue Fund itself. Given such inference, it can only be concluded that the City's preference is to limit wage increases over the term of the impending four (4) year successor Collective Bargaining Agreement in order to fund, to completion, within the grand scheme of its planned capital projects and the expansion of personnel of the Department in its entirety. This inference also presupposes there will be sufficient financial resources in the Fire and Rescue Fund over the coming four (4) years, now the remaining three (3) years of the successor 2007-2011 Collective Bargaining Agreement, to aid in the funding of these planned capital projects and expansion of the Department's personnel. Such presupposition that financial resources of the Fire and Rescue Fund will, in fact, be sufficient, at least in the next three (3) years, notwithstanding the loss of funds in the amount of $500,000 due to the cancellation of the Village of Lakewood contract, is evidenced by the fact that nearly three-quarters (71.0%) of the Fire and Rescue Fund is derived from property taxes and, according to the financial information submitted into this record proceeding, Crystal Lake is a growing community, which leads to the conclusion that property taxes will continue to increase over time. Overall, the City's own financial information which indicates it currently is experiencing favorable economic circumstances also prognosticates that the City will be in a favorable financial position in the years to come given the ratio of its assets to liabilities.

Based on the foregoing analysis, the Arbitrator finds that with respect to Factor (h)(3) of Section 14 of the Act, the City, as asserted by the Union, does possess the financial wherewithal and ability to pay the costs associated with its final wage offer of a 4.0% increase in wages across-the-board in each of the four (4) years of the successor 2007-2011 Collective Bargaining Agreement.

FACTOR (h)(4) SECTION 14

At the outset of this analysis, the Arbitrator reaffirms the approach he took in the City of Danville Interest Arbitration as recalled by the Employer in its post-hearing brief, to wit, that in reviewing the wage data pertaining to the comparable communities, he will not consider wage figures that are projected nor will he consider percentage increases associated with wages that are assumed. Based on this approach, the following comparable communities will not be considered for the following Fiscal Years: [17]

2007	2008	2009	2010
Buffalo Grove	Libertyville	Buffalo Grove	Buffalo Grove
St. Charles	Lombard	Hoffman Estates	Des Plaines
Wheaton	Wheaton	Libertyville	Hoffman Estates
		Lombard	Libertyville
		Northbrook	Lombard
		Rolling Meadows	Northbrook
		Wheaton	Rolling Meadows
		Wheeling	Streamwood
			Wheaton
			Wheeling

Predicated on the above listing of communities, for **Fiscal Year 2007,** the City is compared to the following twelve (12) comparable communities on the basis of the contractual wages paid to firefighter/paramedics and the percentage increase in wages experienced from the prior Fiscal Year, 2006.

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[17] The Arbitrator notes that he eliminated the comparable community of Wheaton from all four (4) years on the following grounds, to wit: *while the collective bargaining agreement entered into evidence ended with a specified wage for the baseline year of 2006 of $66,560, this figure did not coincide with the Union's 2006 figure of $69.968 *(Un.Ex.6)*, and the City failed to specify a figure for Fiscal Year 2006, although the wages specified for Fiscal Year 2007 by the Union did not match the wage figure specified by the City; and *the wage figures that were specified by both the City and the Union were only for firefighters and not firefighter/paramedics. Thus, based on the latter ground for exclusion, any comparisons with Crystal Lake firefighter/paramedics would not have been possible given the discrepancies in the figures that existed and, additionally, even if there had not been any discrepancies in the figures, no true comparison could be accomplished based on comparing apples with apples as the comparison would be void of the paramedic component.

In addition to the aforementioned wage figure discrepancies, two (2) other discrepancies are noted by the Arbitrator, to wit: *for Fiscal Year 2007 for the comparable community of **St. Charles**, the City listed the combined figure for firefighter and paramedic as $74,160 [$70,760 + $3,400], whereas, the Union listed the wage figure as $73,989. However, included in the record evidence were actual wage figures for St. Charles' firefighter/paramedics for the Fiscal Years beginning January, 2008 through December of 2011; for Fiscal Year 2007 for the comparable community of **Wheeling**, the City specified the wage figure of $69,553 whereas, the Union specified the wage figure of $73,111. A review of the May 1, 2005 through April 30, 2009 Collective Bargaining Agreement for Wheeling reveals that the figures specified by the Union are the correct wage figures.

COMPARABLE COMMUNITY	CONTRACTUAL WAGES	% INCREASE
Rolling Meadows	$78,850 [18]	3.75
Libertyville	$77,325	3.38 [19]
Des Plaines	$76,222	3.75
Hoffman Estates	$75,736	3.50
Downers Grove	$75,730	3.75
Northbrook	$75,259	3.75
Elk Grove	$74,835 [20]	3.28
Wheeling	$73,111	3.50
Gurnee	$72,677	3.00
Crystal Lake (Union Offer)	**$72,635**	**4.00**
Mt. Prospect	$72,011	3.62
Crystal Lake (City Offer)	**$71,937**	**3.00**
Lombard	$71,105	3.75
Streamwood	$68,751	4.75

Based on the above wage figures, accepting the Union's final wage proposal would result in the City ranking **10th** among the total of the thirteen (13) communities listed, and accepting the City's final wage proposal would result in the City ranking **11th** among the thirteen (13) communities listed. In comparing the percentage increases in wages for firefighter/paramedics among the twelve (12) comparable communities listed with the City's proposed percentage wage increase of 3.00%, it is noted that only one (1) other community, Gurnee, settled at a 3.00% increase and that, that was the lowest percentage increase granted among the total of the 12 comparable communities. In making the same comparison with the Union's proposed percentage wage increase of 4.00%, it is noted that it exceeds the percentage increase of eleven

[18] Wage increase was given in two (2) installments, to wit: a 3.50% increase from January 1, 2007 to June 30, 2007 and a 0.50% increase from July 1, 2007 to December 31, 2007. Thus, for the twelve (12) month period, the percentage increase in wages amounted to 3.75%.

[19] Wage increase was given in two (2) installments, to wit: a 3.25% increase from May 1, 2007 to October 31, 2007; and a 0.25% increase from November 1, 2007 to April 30, 2008. The first percentage increase resulted in a wage of $77,133 and the second percentage increase resulted in the final wage for Fiscal Year 2007 of $77,325. Altogether, the percentage increase in wages amounted to 3.375% or rounded to 3.38% for this analysis.

[20] Total includes the paramedic stipend of $3,500.

(11) of the 12 comparable communities, surpassed only by the community of Streamwood, which interestingly, is the lowest ranking of the 12 comparable communities in terms of paying their firefighter/paramedics. Calculating the **average** of the percentage wage increases granted by the 12 comparable communities which amounts to 3.64%, a comparison with that of the City's proposed percentage increase of 3.00% shows that it is two-thirds less than the average whereas, the same comparison with that of the Union's proposed percentage increase of 4.00% shows that it is one-third higher than the average.

Predicated on the above listing of comparable communities on page 18, for **Fiscal Year 2008**, the City is compared to the following twelve (12) comparable communities on the basis of contractual wages paid to firefighter/paramedics and the percentage increase in wages experienced from the prior Fiscal Year, 2007.

COMPARABLE COMMUNITY	CONTRACTUAL WAGES	% INCREASE
Rolling Meadows	$82,000 [21]	3.75
Buffalo Grove	$79,747	3.25
Des Plaines	$79.080	3.75
Hoffman Estates	$78,620	3.81
Downer Grove	$78,570	3.75
Northbrook	$78,082	3.75
Elk Grove	$77,253 [22]	3.25
Gurnee	$76,311	5.00
Wheeling	$75,853	3.75
Chrystal Lake (Union Offer)	**$75,541**	**4.00**
Mt. Prospect	$74,944	4.07
St. Charles	$74,944	4.07
Chrystal Lake (City Offer)	**$74,094**	**3.00**
Streamwood	$71,994	4.72

[21] Wage increase was given in two (2) installments, to wit: a 3.50% increase from January 1, 2008 to June 30, 2008 and a 0.50% increase from July 1, 2008 to December 31, 2008. Thus, for the twelve (12) month period the percentage increase in wages amounted to 3.75%.
[22] Total includes the paramedic stipend of $3,600.

Based on the above wage figures, accepting the Union's final wage proposal would result in the City ranking **10th** among the total of the thirteen (13) communities listed, which would keep the City at the same relative rank as in the prior 2007 Fiscal Year, but accepting the City's final wage proposal would result in the City ranking **12th** among the total of the thirteen (13) communities listed, a decline in its relative ranking from the prior 2007 Fiscal Year. In comparing the percentage increases in wages for firefighter/paramedics among the twelve (12) comparable communities listed, the City's proposal of 3.00% is the lowest, with no other community having settled at this percentage increase. On the other hand, four (4) of the comparable communities listed above exceed the Union's final wage offer of a 4.00% increase in wages. Looking at the **average** of the percentage increases among the 12 comparable communities listed which calculates to be, 3.91%, it is noted that it nearly approximates the Union's proposed percentage increase of 4.00% and that it surpasses the City's proposed percentage increase of 3.00% by nearly the 1.00% that separates the Parties' respective final wage offers for Fiscal Year 2008.

Predicated on the above listing of comparable communities on page 18, for **Fiscal Year 2009**, the City is compared to the following seven (7) comparable communities on the basis of contractual wages paid to firefighter/paramedics and the percentage increase in wages experienced from the prior Fiscal Year, 2008.

COMPARABLE COMMUNITY	CONTRACTUAL WAGES	% INCREASE
Des Plaines	$82,046	3.50
Downers Grove	$81,517	3.75
Mt. Prospect	$80,862	7.90
Elk Grove	$79,747 [23]	3.25
Gurnee	$79,363	4.00
Crystal Lake (Union Offer)	**$78,562**	**4.00**
St. Charles	$77,962	3.82
Crystal Lake (City Offer)	**$76,688**	**3.50**
Streamwood	$75,054	4.25

Based on the above wage figures, accepting the Union's final wage proposal would result in the City ranking **6th** among the total of the eight (8) communities listed whereas, accepting the City's final wage proposal would result in the City ranking **7th** just ahead of Streamwood which is shown to be at the very bottom of the rankings for Fiscal Years 2007, 2008, and here again in Fiscal Year, 2009. With respect to the percentage increase of wages among the eight (8)

[23] Total includes the paramedic stipend of $3,700

communities listed, the City's proposed increase in wages of 3.50 % stands as the second lowest percentage increase surpassing that of Elk Grove at 3.25%. Additionally, the **average** percentage increase for the seven (7) comparable communities calculates at **4.35 %** which is a third of one percent higher than the 4.00 % proposed by the Union, although the Union offer of 4.00% is exceeded by only one (1) of the comparable communities [Mt.Prospect] and matched by another comparable community [Gurnee]. This result occurs, of course, from the exceedingly high percentage increase in wages from the Mt. Prospect settlement which skewed the average percentage increase to the over 4.00% figure. However, if Mt. Prospect is eliminated from the calculation of the average percentage rate, the revised average percentage increase of the remaining six (6) comparable communities calculates to be, 3.76%. If the Union's proposed percentage increase of 4.00% is calculated with the remaining six (6) comparable communities, the average percentage increase calculates to be, 3.79% and, if the City's proposed percentage increase of 3.50% increase is calculated with the remaining six (6) communities, the average percentage increase calculates to be 3.72%. In any event, no matter which calculation is used, the City's proposed offer of 3.50% increase in wages for Fiscal Year, 2009 still falls below the average increase already agreed to by the other seven (7) comparable communities.

Predicated on the above listing of comparable communities on page 18, for **Fiscal Year 2010**, the City is compared to the following five (5) comparable communities on the basis of contractual wages paid to firefighter/paramedics and the percentage increases in wages experienced from the prior Fiscal Year, 2009.

COMPARABLE COMMUNITY	CONTRACTUAL WAGES	%INCREASE
Downers Grove	$84,777	3.75
Mt. Prospect	$84,192	4.12
Gurnee	$83,331	5.00
Elk Grove	$82,319 [24]	3.25
Crystal Lake (Union Offer)	**$81,705**	**4.00**
St. Charles	$81,068	3.83
Crystal Lake (City Offer)	**$79,373**	**3.50**

Based on the above wage figures, accepting the Union's final wage proposal would result in the City ranking **5th** among the total of six (6) communities listed whereas, accepting the City's final wage proposal would result in the City ranking **6th** , at the very bottom of the remaining comparable communities. With respect to the percentage increase in wages among the six (6) communities listed, like the prior Fiscal Year, 2009, the City's proposed increase in wages of 3.50% stands as the second lowest percentage increase surpassing that of Elk Grove at 3.25%. Additionally, the **average** percentage increase for the five (5) remaining comparable

[24] Total includes the paramedic stipend of $3,800.

communities calculates at **3.99%** which almost exactly matches the 4.00% increase in wages proposed by the Union.

In sum, when comparing all four (4) Fiscal Years, 2007, 2008, 2009, and 2010, the Union's proposed final wage offer when compared to the applicable number of comparable communities for both Fiscal Years, 2007 and 2008, maintains the City's rank at **4th** from the bottom in both years whereas, the City's final wage offer moves the City's rank downward from **3rd** from the bottom in Fiscal Year 2007 to **2nd** from the bottom in Fiscal Year 2008. In the next two (2) Fiscal Years of 2009 and 2010, of the applicable number of comparable communities, it is interesting to note that both the Union's final wage offer and the City's final wage offer, result in the City moving downward in rank in both years, to wit, in Fiscal Year 2009, the Union's final wage offer ranks the City **3rd** from the bottom and then **2nd** from the bottom in Fiscal Year 2010, and in Fiscal Year 2009, the City's final wage offer ranks the City **2nd** from the bottom and then at the very bottom in Fiscal Year 2010. The Arbitrator notes that the City has conceded that historically, it has not paid its firefighter/paramedics at the level of the comparable communities selected for comparison in this arbitration, but this concession does not justify offering percentage increases in wages over time that will actually result in the City losing ground and further falling behind the wages of these comparable communities as evidenced by the foregoing analysis. And although the Union's final offer with respect to the first two Fiscal Years of 2007 and 2008 at least maintains a status quo among the applicable comparable communities in terms of retaining the same rank order, even its final offer of a percentage increase in wages of 4.00% in Fiscal Years 2009 and 2010 causes an erosion in the City's rank order. When wages are viewed in the context of average percentage increases, which the Arbitrator's analysis differs from that of the City's as set forth in its brief on page 9, the Union's final offer is shown to more nearly approximate these average percentages than the City's final offer as evidenced by the following:

FISCAL YEAR	NUMBER OF COMMUNITIES	CITY PROPOSAL	UNION PROPOSAL	AVERAGE % AGE INCREASE
2007	12	3.00%	4.00%	3.64%
2008	12	3.00%	4.00%	3.91%
2009	7	3.50%	4.00%	4.35% / 3.76%
2010	5	3.50%	4.00%	3.99%

As to the internal comparisons, the Arbitrator finds that even though Local 150 of the Operating Engineers settled for 3.00% wage increases in both Fiscal Years 2007 and 2008 and the Metropolitan Police settled for average wage increases of 2.00% for Fiscal Year 2007 and average wage increases of 3.00% for Fiscal Year 2008, nevertheless these internal comparisons while somewhat instructive are not equivalent comparisons, that is, they represent a comparison of apples to oranges while the external comparisons represent a comparison of apples to apples, which are much more significant. However, the Arbitrator deems the acknowledgement by the City that the police at the top of the wage schedule for Fiscal Year 2008, received a percentage increase in wages of 8.60% to be the most informative, since the rationale offered for this comparatively hefty wage increase was to keep pace with other McHenry County police

departments. It occurs to the Arbitrator that the City might adopt the same rationale with respect to percentage wage increases applicable to firefighter/paramedics going forward based on the analysis of the external comparisons set forth above which show them to be in the bottom half of the rankings among the comparable communities. Also telling is the acknowledgement of the City that it granted a range of wage increases of 3.00% to 5.00% to their non-union employees for Fiscal Year 2008, even though the average wage increase amounted to 3.00%. The fact that it had the financial wherewithal to confer a 5.00% increase for some of these employees persuades the Arbitrator, among these other findings, that it can well afford to bear the cost involved of the Union's final wage offer.

FACTOR (h)(5) SECTION 14

It is apparent from the consumer price indices produced by the Department of Labor's Bureau of Labor Statistics that, in the last several years, cost-of-living has been kept at very low rates of inflation so that past wage increases experienced by the City's firefighter/paramedics have both offset the increases in the consumer price index and enhanced their purchasing power. However, given the economic situation of the day both nationally and globally, which is a very different economic environment that existed when the Parties first entered into negotiations for this successor collective bargaining agreement back in 2007, inflation is expected to be substantially higher in the years going forward. Such a finding is an example of **Factor (h)(7) of Section 14** which permits the consideration of changes in any of the other factors set forth in Section 14 of the Act during the pendency of the arbitration proceedings. Had the Parties been fortunate enough to consummate a successor collective bargaining agreement prior to the financial meltdown that occurred beginning in September of 2008, the figures for the Consumer Price Index would have been meaningful and possibly somewhat persuasive in support of a final wage offer that more approximated the City's offer than the Union's offer. However, given the vast uncertainty of the overall economic environment going forward, it is more likely that the trend in the CPI indices, at least for the term of the impending four (4) year 2007-2011 successor Collective Bargaining Agreement, will favor overall wage settlements percentage-wise that even exceed the percentage increases being offered by the Union in this Interest Arbitration.

Based on the foregoing findings associated with the three (3 factors set forth in Section 14 of the Act, specifically, Factors (h)(3), (h)(4)(A) and (h)(5), relied on by both Parties to support their respective final wage offers, the Arbitrator finds, in accord with Section 14 (g), that the Union's final wage offer more nearly complies with these factors than does the City's final wage offer. In so finding, the Arbitrator accepts the Union's final wage offer on this Impasse Issue.

KELLY DAYS

UNION'S FINAL OFFER	**EMPLOYER'S FINAL OFFER**
Effective 1 / 1 / 09 Every 14th Shift	Effective 1 / 1 / 09 Every 14th Shift
Effective 1 / 1 / 10 Every 13th Shift	Effective 1 / 1 / 10 Every 13th Shift
Effective 1 / 1 / 11 Every 12th Shift	Status Quo

Note: The Parties agreed in the ground rules governing this interest arbitration that if the Arbitrator awards the Union's final offer on Kelly Days, he has the authority to award the City two (2) substitutes in the 4th year of the Contract. Concomitantly, if the Arbitrator awards the City's final offer on Kelly Days, he has no authority to award the City two (2) substitutes in the 4th year of the Contract pursuant to SB 834 which amended the Illinois Municipal Code. [25]

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[25] This amendment provided for the following: "In any municipal fire department that employs full-time firefighters and is subject to a collective bargaining agreement, a person who has not qualified for regular appointment . . . shall not be used as a temporary or permanent substitute for classified members of a municipality's fire department or for regular appointment as a classified member of a municipality's fire department **unless** mutually agreed to by the employee's certified bargaining agent. Such agreement shall be considered a permissive subject of bargaining. Municipal fire departments covered by the changes made by this amendatory Act of the 95th General Assembly that are using non-certified employees as substitutes immediately prior to the effective date of this Amendatory Act of the 95th General Assembly may, **by mutual agreement** with the certified bargaining agent, **continue** the existing practice or a modified practice and that agreement shall be considered a permissive subject of bargaining. * * * [emphasis by the Arbitrator].

The Parties in their mutually agreed upon Ground Rules governing this Interest Arbitration, at Item #9 acknowledged that effective June 1, 2008, **SB 834 (65ILCS §10.2.1-4)** was applicable to their bargaining relationship but agreed to the following exception: "(1) Effective June 1, 2008 the Union consents to allow the City to continue to employ POP non-certificated/classified employees on an **interim basis during the pendency of the interest arbitration hearing and until the arbitrator's award is issued. When the arbitrator's award is issued, this variance shall expire and the requirements of SB 834 shall be reinstated subject only to any variance consented to by the Union as part of its Final Offer on the Kelly Day item.** The Arbitrator shall have **no authority** to issue an award requiring the Union to consent to the use of any POP or POC non-certificated/classified employee when a bargaining unit employee is on an authorized leave **or a Kelly Day except** as part of a Union offer or as part of the City's offer where such use is consented to by the Union. For example, if the proposal provides for a Kelly Day increase to 14th shift effective 1/1/2009 and to 13th shift effective 1/1/2010 and seeks a variance from SB 834 to allow one (1) substitute/shift and the Union consents, the Arbitrator has the authority to issue such award. Alternatively, if the City's offer seeks a variance of two (2) substitutes per shift and the Union does not consent to this variance, the Arbitrator has no authority to grant the City's offer. (2) Subject to this limitation on his authority, the Parties agree that any award that incorporates the attached Compliance language for §21.10 shall be construed to be 'mutually agreed' within the meaning of SB 834. (3) The Parties further agree that this Ground Rule grants the Arbitrator the authority to award a variance as to a permissive subject of bargaining under the terms of SB 834 pursuant to their authority under §14(p) of the **IPLRA** [which reads: Notwithstanding the provisions of this Section, the employer and exclusive representative may agree to submit unresolved disputes concerning wages, hours, terms and conditions of employment to an **alternative form of impasse resolution**], to agree to an alternative form of interest arbitration."

OPINION
KELLY DAYS

Given that the Parties' respective final offers and their respective positions on this issue are identical for Calendar Years 2009 and 2010, the Arbitrator finds it unnecessary to summarize, in detail their respective positions. Significantly, due to the fact that the Parties' final offers for Calendar Years 2009 and 2010 are identical, both concur that by increasing the number of Kelly Days by one (1) effective January 1, 2009, that is, a Kelly Day every 14th shift, would decrease annual scheduled hours for the bargaining unit firefighter/paramedics and lieutenants to 2,713 hours as compared to an average of 2,674 annual scheduled hours for firefighter/paramedics in the comparable communities. The Parties further concur that by increasing the number of Kelly Days by one (1) effective January 1, 2010, that is, a Kelly Day every 13th shift, would decrease annual scheduled hours for the bargaining unit firefighter/paramedics and lieutenants to 2,697 hours as compared to an average of 2,674 annual scheduled hours for firefighter/paramedics in the comparable communities. According to both Parties, the decline in annual scheduled hours of work due to adding one (1) Kelly Day for Calendar Year 2009, would move the City's relative ranking from 10th up to 9th place as compared to the 15 comparable communities and adding one (1) Kelly Day for Calendar Year 2010 would hold the City's relative ranking at 9th place as compared to the 15 comparable communities.[26] The Union asserts that by accepting their final offer on Kelly Days effective January 1, 2011 [which would commence 8 months into the 4th year of the Parties' successor agreement and continue past the expiration date of April 30, 2011], it would decrease the annual scheduled hours to 2,679 which would have the effect of bringing down the total to within five (5) annual scheduled hours of the average of the 15 comparable communities (the figure of 2, 674), whereas, accepting the City's final offer for Calendar Year 2011 of not adding any additional Kelly Days would retain the spread between the City's annual scheduled hours as compared to the average annual scheduled hours among the 15 comparable communities at 23 hours [the difference between 2,697 annual scheduled hours for the City and the 2,674 average annual scheduled hours for the 15 comparable communities].

Significantly, either one of the Parties' final offer for Kelly Days in the 4th year of the successor collective bargaining agreement would hold the City's relative ranking to 9th place among the 15 comparable communities. While the Union acknowledges there is a small difference between its final offer on Kelly Days and that of the City's, it maintains that the justification for accepting its final offer over that of the City's, is that, its final offer keeps moving its bargaining unit members in the right direction toward meeting the average annual scheduled hours of the 15 comparable communities which is somewhat of an offset to its relative low ranking on wages. Additionally, the Union asserts that its final offer on Kelly Days provides an incentive for the City, in that acceptance of its final offer would permit the City to utilize two (2) substitutes rather than the

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[26] The Arbitrator notes however, that the averaging of annual scheduled hours worked among the 15 comparable communities is used as a measure here to determine the City's relative ranking among these communities due to the paucity of actual data related to time off from work as a result of the number of Kelly Days bargained by these other communities for the duration of their respective collective bargaining agreements beyond Calendar Year 2007, noting that the City did provide a schedule of the number of Kelly Days for all the comparable communities as of December, 2007 *(City Table 7-1, GroupEx.1)*. Neither the City nor the Union put forward data showing the number of Kelly Days for each comparable community for the relevant Calendar Years of 2009, 2010, and 2011 of the successor collective bargaining agreement.

one (1) substitute it has agreed the City can utilize to cover for the reduction in annual scheduled hours in Calendar Years 2009 and 2010 due to the addition of Kelly Days in both those years. The City asserts that adding another one (1) additional Kelly Day in the 4th year of the successor 2007-2011 Collective Bargaining Agreement would cost it in excess of fifty thousand dollars ($50,000), an assertion that was not refuted by the Union. Additionally, the City notes that this additional cost would not change its relative ranking with regard to time off from work due to the number of Kelly Days extant in the 15 comparable communities. Furthermore, adding another one (1) Kelly Day commencing Calendar Year 2011, would make scheduling more challenging in light of its intended expansion of firefighter/paramedics personnel for Fiscal Year 2008-2009. Accordingly, the City maintains its final offer should be accepted by the Arbitrator over that of the Union's final offer.

Unlike the City's final wage offer that would result in their firefighter/paramedics losing ground over the four (4) year term of the impending 2007-2011 successor collective bargaining agreement relative to the agreed upon 15 comparable communities, the City's final offer on Kelly Days not only would hold their firefighter/paramedics at a constant ranking vis-à-vis the 15 comparable communities but it would also come within a reasonable range of the average annual scheduled hours of the 15 comparable communities. Although the Union's final offer on Kelly Days would bring the bargaining unit members closer in range of the average annual scheduled hours of the 15 comparable communities than would the City's final offer, nevertheless, the difference between the two (2) offers in this regard is infinitesimal. That being the case, specifically, that neither offer when compared to each other would result in much of a different outcome, the Arbitrator finds persuasive the City's assertion that instituting yet a third Kelly Day over the term of the impending collective bargaining agreement would impact its financial position by an additional fifty thousand dollars ($50,000) liability. This outcome represents a very large cost to secure such a very small benefit. It appears to the Arbitrator that the Parties will be in a better position to bargain further reductions, if any, in the annual scheduled hours of work by the addition of more Kelly Days at the time the impending collective bargaining agreement expires.

Based on the foregoing findings associated with Section 14, Factor (h)(4)(A) of the Act, relied on by both Parties in support of their respective final offer on Kelly Days, the Arbitrator finds, in accord with Section 14(g) of the Act that the City's final offer on Kelly Days more nearly complies with Factor (h)(4)(A) than does the Union's final offer on Kelly Days. In so finding, the Arbitrator accepts the City's final Kelly Day offer on this Impasse Issue.

AWARD

Based on the rationale set forth in the preceding Opinion sections, the Arbitrator finds the following:

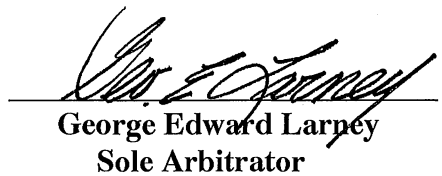
WAGES

To accept the Union's final offer in accord with Section 14(g) of the Act, as it more nearly complies with the relevant Factors set forth in Section 14(h) of the Act than does the City's final offer on this Impasse Issue.

KELLY DAYS

To accept the City's final offer in accord with Section 14(g) of the Act, as it more nearly complies with the relevant Factor set forth in Section 14(h) of the Act than does the Union's final offer on this Impasse Issue.

Additionally, in accord with Ground Rule Item #9 and the consent of the Union providing for a variance from SB 834, the City will be allowed to utilize one (1) substitute/shift in Calendar Years 2009 and 2010.



George Edward Larney
Sole Arbitrator

Chicago, Illinois
December 31, 2008